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AMERICAN

THE LE PICHIER COMPANY

ANNUAL REPORT 1962

40117629



SUPERFUND RECORDS

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**ANNUAL REPORT**  
**FOR THE**  
**FISCAL YEAR ENDED NOVEMBER 30, 1962**



**THE EAGLE PICHER COMPANY**  
**CINCINNATI OHIO**

# THE EAGLE PITCHER COMPANY

## DIRECTORS

WILLIAM R DICE	STANLEY R MILLER
LOUIS A FISHER	ARTHUR W SCHUBERT
DAVID M FORKER JR	T SPENCER SHORE
CARL A GEIST	GEORGE A SPIVA
ALBERT E HEEKIN JR	WILLIAM H ZIMMER
CARL F HERTENSTEIN	MILES M ZOLLER

## OFFICERS

T SPENCER SHORE	PRESIDENT
GLEN J CHRISTNER	VICE PRESIDENT
ROBERT M COQUILLETTE	VICE PRESIDENT
WILLIAM R DICE	VICE PRESIDENT
LOUIS A FISHER	VICE PRESIDENT
CARL A GEIST	VICE PRESIDENT
HAROLD F NUNN	VICE PRESIDENT
MILES M ZOLLER	VICE PRESIDENT
RICHARD SERVISS	SECRETARY
JOHN C HEISLER	TREASURER
HAROLD E ANDERSON	COMPTROLLER
MELVIN F CHUBB	ASSISTANT SECRETARY
CHARLES S DAUTEL	ASSISTANT SECRETARY
CORBIN E SHOUSE	ASSISTANT SECRETARY
JOHN H WINCHESTER	ASSISTANT SECRETARY
ARTHUR C ZIMMERMAN	ASSISTANT SECRETARY

TRANSFER AGENTS Morgan Guaranty Trust Company of New York  
The Central Trust Company Cincinnati

REGISTRARS The Chase Manhattan Bank New York  
The Fifth Third Union Trust Company Cincinnati

# THE EAGLE PITCHER COMPANY

## TO OUR SHAREHOLDERS

Net sales of The Eagle Pitcher Company for 1962 amounted to \$116 005 658 as compared with \$109 894 704 for 1961 an increase of 5 6%

Net profit for 1962 was \$3 444 074 equivalent to \$1 70 per share as compared with \$2 683 037 or \$1 30 per share, for the previous year

Dividends of \$1 20 per share were paid on the common stock in 1962 The dividend payable in March will be the ninety second consecutive quarterly disbursement

Funds generated during 1962 were adequate for dividend payments capital expenditures debt reduction and maintenance of a strong financial position

Net worth at the year end amounted to \$22 62 per share an all time high

### Sales

Net sales for the fiscal year ended November 30 1962 were \$116 005 658 as compared with \$109 894 704 for the previous year an increase of 5 6%

The increase in sales was widespread throughout the Company and was quite consistent during the year In our opinion expanded research and development activities and added emphasis on

sales and service were responsible for the gain We look for further tangible benefits from these sources in 1963 and even more importantly in 1964

### Earnings

Net profit for the 1962 fiscal year amounted to \$3 444 074 or \$1 70 per share as compared with \$2 683 037 or \$1 30 per share for 1961

Each of the Company's five divisions showed an increase in earnings in 1962 over those for 1961

Net profit before taxes in 1962 was \$6 744 074 as compared with \$4 833 037 in 1961 a gain of 39 5% After a higher effective tax rate in 1962 net profit for the year rose 28 4%

Many factors played a part in the increased earnings recorded in 1962 A program of cost reduction and control was successful in stabilizing operating expenses and reducing them as a percentage of sales As a result a substantial part of the dollar increase in gross profit — net sales less production and manufacturing costs — was brought down to net profit before taxes

Important segments of the Company as it is now constituted are able to carry a large percentage of sales to net profit after the break even points have been passed Consequently an

## SUMMARY OF 1962 AND 1961

*Jan 25*

YEAR ENDED NOVEMBER 30	1962	1961	INCREASE	PER CENT INCREASE
NET SALES	\$116 005 658	\$109 894 704	\$6,110 954	5 6%
NET PROFIT BEFORE INCOME TAXES	6 744,074	4,833 037	1 911 037	39 5
NET PROFIT	3 444 074	2 683,037	761 037	28 4
NET PROFIT PER SHARE	1 70	1 30	0 40	30 8

increase in sales, such as that achieved in 1962 produces a disproportionately larger gain in earnings

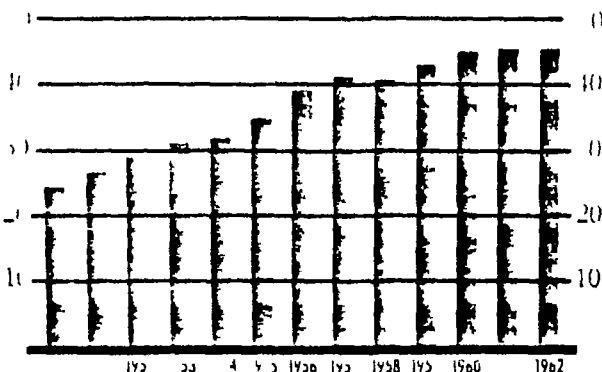
Finally the Company adopted a policy in all divisions of placing greater emphasis on producing and selling products requiring 'know how' relatively large capital investment and specialized service. Such products of necessity usually return better profit margins. This policy should prove to be even more beneficial in the future.

## Taxes and Depreciation

In an effort to encourage and stimulate capital expenditures the Federal Government recently has made two significant changes in the calculation of income taxes. First the Internal Revenue Service issued new depreciation guidelines permitting faster depreciation of certain assets. Secondly the 1962 Revenue Act provided that a corporation can reduce annual income taxes by an Investment Tax Credit based on expenditures for new equipment acquired since January 1, 1962. Both of these incentives were adopted by the Company in its reports to the Internal Revenue Service. To account properly for the difference between the accelerated deductions permissible by the Internal Revenue Service and the deductions for depreciation normally taken by the Company, an amount of \$920,000 has been provided as Deferred Federal Income Taxes.

This method of accounting will tend to minimize fluctuations of earnings over a period of years and it is the procedure recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants.

NET WORTH  
(At November 30)



## Balance Sheet

Shareholders' net worth at November 30, 1962 was \$45,870,682, or \$22.62 per share, as compared with \$45,687,278 or \$22.15 per share at November 30, 1961.

Current assets at November 30, 1962 aggregated \$40,753,654 as compared with current liabilities of \$11,023,733, a ratio of about 3.7 to 1. Net working capital of \$29,729,921 compared with \$27,926,337 at the beginning of the year.

Cash and United States Government obligations including amounts deducted from the provision for Federal taxes on income aggregated \$5,479,259 at the 1962 year end as compared with \$6,587,542 at November 30, 1961.

Accounts and notes receivable were \$15,321,263 as compared with \$13,871,154 at November 30, 1961.

Inventories at the end of 1962 were \$20,391,390, an increase of \$1,154,047 from the corresponding figure of \$19,237,343 a year earlier.

Net fixed assets of \$25,461,218 at November 30, 1962 compared with \$26,569,140 at the end of 1961. Capital expenditures for the year were \$1,803,885 as compared with provision for depreciation, depletion, and amortization of \$2,824,575.

Long-term debt was reduced by \$1,000,000 during the year to \$11,000,000 at November 30, 1962. The \$1,000,000 installment payable in 1963 is classified as a current liability.

## Dividends

Dividends of \$1.20 per share were paid in 1962, the same rate as for the previous year.

The dividend payable next March will be the ninety-second consecutive quarterly disbursement.

During the past ten years the Company paid out in dividends a little more than 50% of earnings, a percentage which we believe to be prudent for its type of business. It has been our policy to set a rate which we believe can be maintained in periods of moderate declines in the Company's earnings. The Company's cash flow during this period has been sufficient to provide for dividends, capital expenditures, and ample working capital.

## Recognition

On March 14 the United States Army Signal Corps honored the Company by presenting to it the Reduced Inspection Quality Assurance Plan Certificate which is the maximum recognition of quality control facilities and inspection techniques. This certificate was given to the Chemicals and Metals Division for special batteries produced for guided missiles and similar applications and it was the first certificate awarded to a manufacturer of batteries of this type.

Batteries developed and produced by this Division have played an important part in the Ballistic Missile Program from the early Redstone to the Jupiter Atlas Pershing Polaris Mercury and Discoverer. The Mercury space capsules which orbited the earth contained Eagle Picher silver zinc batteries as the heart of their electrical systems. The Atlas boosters which orbited the Mercury capsules also contained Eagle Picher batteries for the guidance and control apparatus. These batteries represent the most compact electro-chemical energy power source available to the missile and space industry.

## Directors and Officers

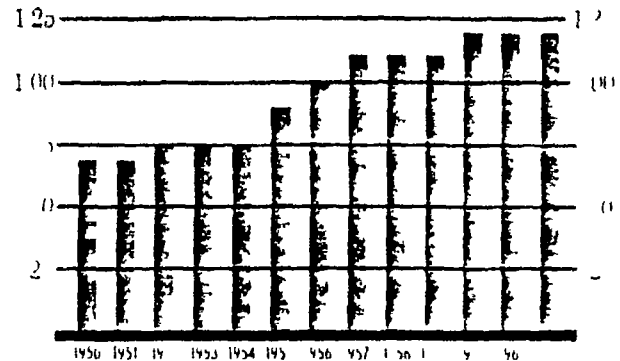
Mr. William H. Zimmer, President of The Cincinnati Gas & Electric Company, was elected a member of the Board of Directors on August 1.

Mr. Robert M. Coquillette, formerly Vice President and General Manager of the Overseas Chemical Division of W. R. Grace & Co., was elected a Vice President of The Eagle Picher Company in April and serves as President of The Ohio Rubber Company.

We record with profound regret and deep sorrow the passing on July 15 of Mr. Alfred S. Ault, President of the Chicago Vitreous Corporation and Vice President of The Eagle Picher Company. Mr. Ault first joined Chicago Vitreous Corporation in 1936 and had been a highly esteemed member of our organization since 1956 when we acquired the company.

Mr. Albert J. Hafendorfer, who joined Chicago Vitreous in 1937 and was serving as Vice President and General Manager of its Steel Buildings Department, has become President of the Chicago Vitreous Corporation.

DIVIDENDS PAID PER SHARE  
(Calendar Year)



## Outlook

The general economy is still in a period where price competition is intense and it is difficult to earn an adequate return on invested capital. This situation is not new to us; all of our products are sold to other manufacturers in practically every basic industry.

Fortunately, our relationship and success as a manufacturer's manufacturer does not hinge on price alone. Customers of the type we serve are increasingly interested in quality of product, efficient and reliable service, and financial strength and dependability of the supplier. In effect, we are an integral part of their organizations, and our interests and fortunes are intertwined.

We see in 1963 a year much like 1962, one in which all divisions of the Company should again record further gains in sales and earnings. This expectation is by no means dependent upon a rising economy but is a result of our belief that we can maintain the competitive gains being made in many areas and that we will benefit from the relatively large capital investments of recent years.

Our confidence is based on the talents of the many loyal people throughout the Company and their ability to devise, make and sell products of the highest quality and utility.

*Spencer Shore*  
President

Cincinnati, Ohio  
January 25, 1963

# THE EAGLE-PICHER COMPANY

## CONSOLIDATED BALANCE SHEET

ASSETS	1962	1961
<b>CURRENT ASSETS</b>		
Cash	\$ 5 041 001	\$ 6 267 920
Accounts and notes receivable less allowance for doubtful receivables \$279 799 and \$315,903	15 321 263	13 871 154
Inventories of raw materials, work in process finished products, and supplies (note 1)	20 391 390	19 237 343
<b>TOTAL CURRENT ASSETS</b>	<b>40 753 654</b>	<b>39 376 417</b>
 <b>OTHER ASSETS</b>		
Repair parts and maintenance supplies	819 845	851 920
Investments, at cost and miscellaneous accounts and advances	979 627	1 042 237
	<u>1 799 472</u>	<u>1 894 157</u>
 <b>PROPERTY PLANT AND EQUIPMENT AT COST (note 2)</b>	<b>72 922 103</b>	<b>72 405 627</b>
Less Allowance for depreciation and depletion	47 460 885	45 836 487
	<u>25 461 218</u>	<u>26 569 140</u>
 <b>PATENTS AT COST — less amortization</b>	<b>1 022 978</b>	<b>1 199 174</b>
 <b>PREPAID EXPENSES AND DEFERRED CHARGES</b>	<b>1 158 947</b>	<b>1 356 078</b>
	<u><b>\$70 196 269</b></u>	<u><b>\$70 394 966</b></u>

The accompanying notes are c

# AND DOMESTIC SUBSIDIARIES

AT NOVEMBER 30 1962 AND 1961

LIABILITIES		1962	1961
CURRENT LIABILITIES			
Accounts payable		\$ 4 698 248	\$ 5 102 616
Dividend payable		608 729	619 374
Accrued liabilities		3 500 714	3 206 519
Federal taxes on income less U S Government obligations at cost \$438 258 and \$319 622		1 216 042	1 521 571
Long term debt — current portion		1 000 000	1 000 000
TOTAL CURRENT LIABILITIES		<u>11 023 733</u>	<u>11 450 080</u>
LONG TERM DEBT — 3¼% notes maturing serially to July 15, 1974, less current portion (note 3)		<u>11 000 000</u>	<u>12 000 000</u>
RESERVES FOR SELF INSURANCE		<u>1 381 854</u>	<u>1 257 608</u>
DEFERRED FEDERAL TAXES ON INCOME (note 4)		<u>920 000</u>	<u>—</u>
STOCKHOLDERS EQUITY			
Capital stock — par value \$5 per share authorized 3 000 000 shares issued 2 067 654 shares (note 5)		10 338 270	10 338 270
Capital surplus		2 468 782	2 510 316
Retained earnings (note 3)		<u>33 946 946</u>	<u>32 951 043</u>
		46 753 998	45 799 629
Less Treasury stock 39 657 and 5 074 shares at cost		<u>883 316</u>	<u>112 351</u>
		<u>45 870 682</u>	<u>45 687 278</u>
		<u>\$70 196 269</u>	<u>\$70 394 966</u>

integral part of this balance sheet



# THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

## STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND RETAINED EARNINGS

YEARS ENDED NOVEMBER 30 1962 AND 1961

	<u>1962</u>	<u>1961</u>
INCOME		
Net sales	\$116 005 658	\$109 894 704
Other income	<u>88 002</u>	<u>110 982</u>
	<u>116 093 660</u>	<u>110 005 686</u>
 COSTS AND EXPENSES		
Production and manufacturing costs	96 636 944	92 720 098
Selling general and administrative expenses	9 399 865	9 151 023
Provision for depreciation depletion and patent amortization	2 824 575	2 783 846
Interest	<u>488 202</u>	<u>517 682</u>
	<u>109 349 586</u>	<u>105 172 649</u>
 PROFIT FROM OPERATIONS — before Federal and State taxes on income	 6 744 074	 4 833 037
 FEDERAL AND STATE TAXES ON INCOME (note 4)	 <u>3 300 000</u>	 <u>2 150 000</u>
 NET PROFIT	 3 444 074	 2 683 037
 RETAINED EARNINGS AT BEGINNING OF YEAR	 <u>32 951 043</u>	 <u>32 737 229</u>
	36,395 117	35 420 266
 CASH DIVIDENDS PAID AND ACCRUED	 <u>2 448 171</u>	 <u>2 469 223</u>
 RETAINED EARNINGS AT END OF YEAR (note 3)	 <u>\$ 33 946 946</u>	 <u>\$ 32 951 043</u>

*The accompanying notes are an integral part of this statement*

# THE EAGLE-PICHER COMPANY AND DOMESTIC SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30 1962

- 1 Inventories other than ores metals and metal bearing products have been valued at average and standard costs or lower which approximate replacement market. Ores metals and metal bearing products have been valued at the lower of cost or market which has been reduced to state basic quantities of lead and zinc 7 000 and 18 000 tons respectively at fixed prices based on 6 5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis) under the base stock method of inventory valuation adopted at November 30 1949.
- 2 The company has recorded the investment credit under the Revenue Act of 1962 as a reduction of the cost basis of the qualified assets and will take it into income as a reduction in depreciation provision over the estimated productive lives of the assets.
- 3 Under the provisions of the loan agreement pertaining to the 3½% notes due July 15 1974 the company is required to prepay \$1 000 000 on July 15 of each year to maturity.  
  
The 3½% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in capital stock of the company) or applied to the purchase redemption or retirement of the company's capital stock. At November 30 1962 the amount not so restricted was approximately \$9 850 000.
- 4 A reduction of \$920 000 in Federal income taxes payable for 1962 resulting from the use of alternative methods of depreciation for tax purposes has been offset by an additional provision for Federal taxes on income. The deferred Federal taxes on income reflects this reduction which will be used to offset Federal income taxes payable in future years when depreciation charges for tax purposes will be lower than the charges made on the books.
- 5 Under stock option plans approved by the stockholders there were options outstanding at November 30 1962 to purchase 27 500 shares of capital stock at \$24 per share. Options for an additional 76 500 shares may be granted in the future.
- 6 A portion of the company's sales for the year ended November 30 1962 is subject to renegotiation under the Renegotiation Act of 1951. Management is of the opinion that adjustment if any will not have a material effect on the financial statements.

PEAT, MARWICK, MITCHELL & CO

*Certified Public Accountants*

CINCINNATI OHIO

ACCOUNTANTS' REPORT

THE BOARD OF DIRECTORS

THE EAGLE Picher COMPANY

We have examined the consolidated balance sheet of The Eagle-Picher Company and its domestic subsidiaries as of November 30 1962 and the related statement of profit and loss and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated profit and loss and retained earnings present fairly the financial position of The Eagle Picher Company and its domestic subsidiaries at November 30 1962 and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT MARWICK MITCHELL & CO

Cincinnati Ohio

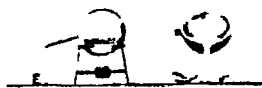
January 24 1963

# TEN-YEAR SUMMARY

		FOR THE FISCAL YEARS 1953-1962					
SOURCE AND APPLICATION OF FUNDS		SOURCE		APPLICATION			
		Net Profit	\$38 522 932	Dividends Paid	\$20 819 010		
		Depreciation Depletion and Amortization	27 507 014	Capital Additions	42 409 271		
		Disposition of Fixed Assets	4 893 724	Increase in Working Capital	4 552 946		
		Decrease in Foreign Investments	1 023 266	Decrease in Long Term Debt	2 575 000		
		Deferred Federal Taxes on Income	920 000	Patents Acquired	2 035 578		
		Miscellaneous	1 987 248	Increase in Other Assets	816 601		
			<u>\$74 854 184</u>	Miscellaneous	1 645 778		
					<u>\$74 854 184</u>		
SALES EARNINGS TAXES DIVIDENDS	YEAR ENDED NOV 30	DEPRECIATION DEPLETION AND AMORTIZATION		NET PROFIT BEFORE INCOME TAXES		DIVIDEND PER SHARE CALENDAR YEAR	
		NET SALES		NET PROFIT	NET PROFIT PER SHARE		
	1962	\$116 005,658	\$2 824 575	\$6 744 074	\$3 444 074	\$1 70	\$1 20
	1961	109 894,704	2 783,846	4 833 037	2 683 037	1 30	1 20
	1960	120,835 294	2 783 440	7 967 088	4 767 088	2 33	1 20
	1959	120 925 049	2 987 784	9 671 646	4 671,646	2 29	1 10
	1958	98 132,667	3 296 731	3 990 094	2 090 094	1 04	1 10
	1957	117 752 694	3 216 858	7 531 706	4 266 706	2 13	1 10
	1956	116 407 000	3 096 237	11 481 794	5 906 430	2 94	1 00
	1955	114 480 080	2 969 269	10 204,062	5 004 062	2 53	90
	1954	83 233 880	1 990 578	4 946 829	2,446 829	1 24	75
	1953	85 033 403	1 557 372	5 952 966	3 242 966	1 64	75
BALANCE SHEET HIGHLIGHTS	AT NOV 30	CASH AND U S GOVT SECURITIES		PROPERTY PLANT AND EQUIPMENT NET		LONG TERM DEBT	
			WORKING CAPITAL			NET WORTH	NET WORTH PER SHARE*
	1962	\$5,479 259	\$29 729 921	\$25,461 218	\$11 000 000	\$45 870 682	\$22 62
	1961	6,587 542	27 926 337	26 569 140	12 000 000	45 687 278	22 15
	1960	8,574,104	29 632 137	25 191 707	13 000 000	45 081 582	22 03
	1959	14 126 040	30 133 749	24 006 005	14 000 000	43 212 387	21 14
	1958	7 319 071	27 920 267	24 008 928	15 000 000	40 716 257	20 23
	1957	11 472 791	27 786 595	23 549,875	15 000 000	40 858 362	20 37
	1956	13,947 086	27 298 811	24 389,349	15 000 000	38 899 244	19 35
	1955	12 710,610	23 247 257	24 470,614	15,000 000	34 834 412	17 61
	1954	8 053,695	18,447 048	25 824 409	15 000 000	31 610 917	15 98
	1953	20,716 682	25 808 749	17 583,985	15,000 000	30 646 045	15 49

\*Based on actual number of shares outstanding adjusted to present capitalization

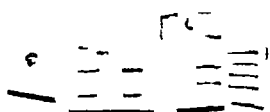
# PRINCIPAL PRODUCTS AND PROPERTIES



## CHEMICALS AND METALS DIVISION

**PRINCIPAL PRODUCTS**—Zinc and lead chemicals ★ Special purpose electric power supplies ★ Sulphuric acid ★ Germanium gallium and various electronic metals and compounds ★ Cadmium ★ Slab zinc ★ Chat

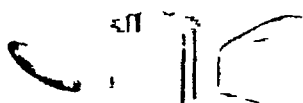
**PLANTS AND MINES** *Plants* JOPLIN MISSOURI GALENA AND HILLSBORO ILLINOIS GALENA KANSAS COMMERCE HENRYETTA MIAMI AND QUAPAW OKLAHOMA LINDEN AND SHULLSBURG WISCONSIN *Mines* TRI STATE DISTRICT (MISSOURI OKLAHOMA KANSAS) ILLINOIS WISCONSIN



## CHICAGO VITREOUS CORPORATION

**PRINCIPAL PRODUCTS**—Porcelain enamel frits for home appliances plumbing ware lighting fixtures architectural paneling outdoor signs and other products requiring protective finishes ★ Lusterlite all porcelain enameled gasoline service stations

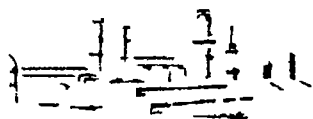
**PLANTS** CICERO AND PARIS ILLINOIS



## FABRICON PRODUCTS

**PRINCIPAL PRODUCTS**—Waxed paper cellophane and polyethylene wrappers ★ Lamin Art decorative plastic sheets ★ Custom impregnated papers textiles and glass cloth ★ Molded plastic parts ★ Automotive parts such as door trim panels trunk liners dash insulator mats and glove boxes

**PLANTS** RIVER ROUGE MICHIGAN PHILADELPHIA AND PITTSBURGH PENNSYLVANIA LOS ANGELES CALIFORNIA



## INSULATION DIVISION

**PRINCIPAL PRODUCTS**—Insulating cements blocks blankets felts board pipe covering ★ High temperature inorganic fibers ★ Diatomaceous earth filter aids aggregates absorbents catalyst supports insecticide carriers fertilizer conditioners paint fillers

**PLANTS** CLARK AND COLADO NEVADA JOPLIN MISSOURI



## THE OHIO RUBBER COMPANY

**PRINCIPAL PRODUCTS**—Compression transfer and continuous precision molded rubber parts for automotive agricultural equipment electrical appliance and other manufacturing industries ★ Extruded and flocked products ★ Laminations of plastics and elastomers ★ Rubber to metal parts ★ Products of natural rubber standard and special synthetic rubbers silicones and polyurethanes ★ Products for National Defense

**PLANTS** WILLOUGHBY OHIO CONNEAUTVILLE PENNSYLVANIA LONG BEACH CALIFORNIA STRATFORD CONNECTICUT FORT SMITH ARKANSAS